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Muni Market Looks to Next Year for an Infrastructure Bill and Bigger Returns.

- **Banks are expected to continue decreasing municipal holdings**
- **States and cities want Congress to return advance refundings**

The $3.8 trillion municipal-bond market is preparing to close out 2018 with lackluster gains as it looks to next year for better returns and a bi-partisan infrastructure bill from Washington to help boost spending on roads, schools and bridges.

Yields on tax-exempt securities soared this year as the Federal Reserve raised interest rates four times in 2018. That hampered performance, with the broader municipal market gaining nearly 0.9 percent in the year through Dec. 19, after a 5.5 percent advance in 2017, according to Bloomberg Barclays index data.

Along with higher borrowing costs, states and municipalities lost a financing tool that allows them to refund debt earlier than expected and save money.

Continue reading.

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